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June 19, 2007

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Supervisors:

**APPROVAL AND DELEGATION OF AUTHORITY TO THE DIRECTOR OF PUBLIC  
HEALTH FOR ONE SOLE SOURCE AGREEMENT FOR CONSULTING SERVICES**  
(All Districts) (3 Votes)

IT IS RECOMMENDED THAT YOUR BOARD:

Approve and delegate authority to the Director of the Department of Public Health (DPH or Department), or his designee, to offer and execute a retroactive agreement for consulting services with Mercer Human Resource Consulting, Inc. for \$118,097 to complete additional work for an HIV/AIDS Medical Clinics Reimbursement Rate Study on behalf of the Department's Office of AIDS Programs and Policy (OAPP) for the period December 1, 2006 through December 31, 2007.

**PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:**

In approving the recommended action, the Board is delegating authority to the Director of Public Health to offer and execute a retroactive agreement for consulting services. The consulting services would allow OAPP to complete a rate study and proceed with a Request For Proposal for outpatient medical services, three sub-modalities including medical case management, nutritional counseling and AIDS Drug Assistance Program (ADAP) eligibility, education and enrollment. Upon being informed by the Auditor-Controller that the prior Work Order could not be continued, OAPP realized that it had authorized Mercer to work without an agreement and a new Work Order would be retroactive, in violation of Board policy.

FISCAL IMPACT/FINANCING:

The total cost of the agreements is \$118,097, funded by Ryan White Comprehensive AIDS Resources Emergency (CARE) Act grant funds. There are no Net County Cost funds used for this agreement.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

On March 10, 2004, the Auditor-Controller authorized Mercer Human Resource Consulting to implement an HIV/AIDS Medical Clinics Fee-For-Service Reimbursement Rate Study, based on a competitive process, Work Order Request No. 6-49 which was sent to Auditor-Controller Master Agreement firms. Work Order No. 6-49 was scheduled to end on October 13, 2004. Due to completion delays, it was extended to April 13, 2005.

Based on review by the Commission on HIV and community providers, OAPP determined that additional work needed to be done to complete a satisfactory rate study and that having Mercer do additional work on the study would be the most expeditious way to proceed to the RFP and the re-bidding of the medical outpatient contracts. OAPP believed that the prior Mercer Work-Order would be continued and acted under this belief, by meeting with Mercer and having it do additional work, as if the Work-Order had been extended. This was done in order to keep moving on the time-line for the contract renewals. Upon being informed by the Auditor-Controller that the prior Work Order could not be continued, OAPP realized that it had authorized Mercer to work without an agreement and a new Work Order would be retroactive, in violation of Board policy.

OAPP staff has been counseled about the violation of Board policy which resulted from their actions. Appropriate discipline will be implemented.

HIV/AIDS Medical Outpatient Contracts

The Department of Public Health, through OAPP, contracts with County-operated and private outpatient medical clinics to provide comprehensive primary health care to individuals diagnosed with HIV/AIDS.

These clinics receive Ryan White CARE Act funds (and to a lesser degree Net County Cost funds) that provide funding of last resort to individuals who meet eligibility qualifications and do not qualify for other health insurance programs. CARE Act resources are recommended for allocation by the Los Angeles County Commission on

HIV and provide reimbursement for those services consistent with OAPP-contracted goals and HIV/AIDS medical standards of care.

The Los Angeles County CARE Act Title I Award for Year 16 (March 1, 2006 through February 28, 2007) totaled \$34,895,377 of which approximately 51% (\$17,850,403) was invested in outpatient medical services, including medical specialty services. Because CARE Act funds are funds of last resort, all outpatient HIV/AIDS medical clinic contractors must exhaust other sources of funds before billing the County for services. These include, but are not limited to, Medicare and Medi-Cal resources.

Currently, OAPP funds nine County-operated and 18 community-based outpatient medical clinics through 28 contracts. The contracts include medical outpatient services and five sub-modalities. Providers are required to screen and assess patients for other funding sources such as Medi-Cal, which must be utilized to pay for care when the patient is eligible.

OAPP reimburses its contracted outpatient medical clinics through a traditional line-item budget process. At the Board's request, OAPP is developing a fee-for-service/unit cost reimbursement methodology that will encourage provider accountability and productivity, track utilization more effectively and ensure that providers are utilizing other funding resources, such as Medi-Cal, when available. A drawback of the current reimbursement methodology is the financial disincentive for enrolling patients in Medi-Cal (for Medi-Cal eligible services), as providers may find line-item reimbursement financially advantageous. Therefore, through this agreement, OAPP is seeking the ongoing services of a consultant (Contractor) to assist OAPP in finalizing and implementing a fee-for-service/unit cost reimbursement methodology to replace the existing line-item reimbursement system for HIV/AIDS outpatient medical services.

#### CONTRACTING PROCESS:

On December 23, 2003, Work Order Request No. 6-49 (HIV/AIDS Medical Clinics Fee-For-Service Reimbursement Rate Study) was sent to 60 Auditor-Controller Master Agreement firms. Sixteen firms attended the mandatory proposers conference. Mercer Human Resources Consulting, Inc. (Mercer) was identified to conduct the study. Mercer's proposal was the lowest cost proposal and rated highest of the five proposals by the evaluation committee, which was composed of staff from the Auditor-Controller and the Department of Health Services (Public Health). The firm's proposal included personnel that had the best experience of all proposers, including the required experience with fee for service systems related to the medical/social services/housing

field. In addition, Mercer's work plan showed a clear understanding of the project with the most detailed and well organized procedures.

Mercer's work plan included the development of a fee-for-service rate structure for the following outpatient medical services and three outpatient medical service sub-modalities: medical case management, nutritional counseling and AIDS Drug Assistance Program (ADAP) eligibility, education and enrollment.

Work Order No. 6-49 was scheduled to end on October 13, 2004. Due to completion delays, it was extended to April 13, 2005.


OAPP recommends entering into this sole source agreement with Mercer as this Agreement is the second phase of the study previously performed by Mercer under Work Order 6-49. A second solicitation process for the final phase of the rate study would be impractical, too costly and time consuming, further delaying completion of the rate study.

Attachment A provides additional information regarding the selected Contractor.

IMPACT ON CURRENT SERVICES (OR PROJECTS):

Approval of this agreement will allow completion of the HIV/AIDS Medical Clinics Rate Study which is required for the restructure and re-solicitation of HIV/AIDS outpatient medical services and three sub-modalities (medical case management, nutritional counseling and ADAP eligibility, education and enrollment) throughout the County.

Respectfully submitted,



Jonathan E. Fielding, M.D., M.P.H.  
Director and Health Officer

JEF  
Attachments (2)

c: Chief Administrative Officer  
County Counsel  
Executive Officer, Board of Supervisors

**SUMMARY OF AGREEMENT**

1. TYPE OF SERVICE:

Consultant services to Office of AIDS Programs and Policy that are necessary for the completion of the HIV/AIDS Medical Clinics Reimbursement Rate Study.

2. AGENCY ADDRESS AND CONTACT PERSON:

Mercer Human Resource Consulting, Inc  
777 S. Figueroa Street, Suite 2000  
Los Angeles, CA 90017  
Contact: Joseph Salzillo

3. TERM:

The agreement with Mercer Human Resource Consulting, Inc. is to be effective December 1, 2006 through December 31, 2007.

4. FINANCIAL INFORMATION:

The total cost of the agreement is \$118,097, funded by Ryan White Comprehensive AIDS Resources Emergency Act Title I grant funds. There are no Net County Cost funds used for this agreement.

5. ACCOUNTABLE FOR MONITORING AND EVALUATION:

Mario J. Pérez, Director, Office of AIDS Programs and Policy  
(213) 351-8001

6. APPROVALS:

Public Health:	John Schunhoff, Chief Deputy Director
Finance:	Leticia Moisa, Acting Finance Manager
Contracts and Grants Division:	Gary Izumi, Chief
County Counsel (approval as to form):	Andrea Ross, County Counsel